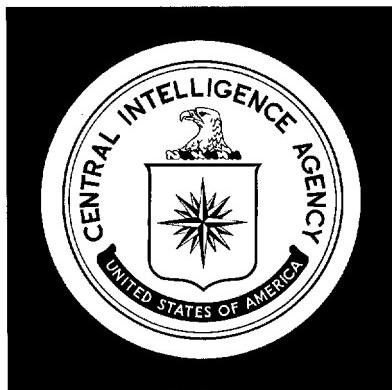


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INDIA: The Ruling Congress Party's (RC) sweep in state elections has enhanced Prime Minister Gandhi's stature as a leader and assured her domination of Indian politics for the foreseeable future.

The results of last week's elections in 16 of India's 21 states indicate that the RC has consolidated its position nationwide, even in the few remaining strongholds of opposition parties. It appears to have won solid majorities in nearly all the states. Incomplete returns from West Bengal indicate the RC will trounce its principal competitor, the Communist Party/Marxist.

The rival Organization Congress, which split from the RC in 1969, has lost its credibility as a viable opposition force. The two challengers on the right, the Jana Sangh and the Swatantra, have suffered setbacks in the several states where they have cultivated a marginal following over the years. At the other end of the political spectrum, the pro-Moscow Communist Party of India and the internationally independent Communist Party/Marxist have won only minimal representation.

In last year's parliamentary poll, Mrs. Gandhi won a two-thirds majority in the lower house, but her party controlled only half the states and it showed signs of weakness at the local level in some regions. Since assuming the prime ministership in January 1966, Mrs. Gandhi has steadily maneuvered politicians and parties to her advantage and seemingly has been able to reverse a trend in the 1960s toward devolution of power from New Delhi to the states. Her efforts were aided by a series of record crops produced by ample monsoon rains and the "green revolution," a growing sense of Indian nationalism, and the recent decisive military victory over Pakistan.

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Mrs. Gandhi claims that the latest election results constitute a national mandate, reaffirming her 1971 campaign pledge to "end poverty." Little headway was achieved on the economic front in 1971, but she attributes this to New Delhi's concentration on the Bangladesh crisis that broke only weeks after her parliamentary victory in March 1971. She may now renew her drive for more equitable land reforms and a tax on agricultural income--two measures that state governments have long resisted.

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[SUDAN: Some of the southern rebels may have misgivings about the provisional agreement with the government signed last month in Addis Ababa.

In a press release issued in Kampala and Nairobi on 10 March, rebel chieftain Joseph Lagu asked that the government agree to a six-to-eight-week delay in the proposed meeting between Lagu and President Numayri for the ratification of the draft peace plan. Numayri had already agreed to an earlier rebel request for a two-week postponement.

Lagu maintained that he needed more time to coordinate with other Anya-Nya commanders dispersed throughout the southern bush country. He implied that "certain points" of the agreement might draw criticism from some rebel factions.

Nonetheless, both sides recognize that the agreement is an important step forward and appear intent on ending the rebellion. As far as is known, there have been no breaches of the cease-fire that went into effect shortly after the peace conference last month. President Numayri's efforts to sell the agreement in Khartoum seem to have been generally successful. Both the southerners and the government, however, must overcome mutual suspicions strengthened by years of fighting if they are to make further progress toward a settlement.

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ARMS CONTROL: The USSR is circulating among its Warsaw Pact allies a draft convention banning chemical weapons (CW).

Although details have not been disclosed, the draft apparently calls for a complete prohibition on the development and production of CW and the destruction of existing stockpiles. Ambassador Roschin, head of the Soviet delegation at the Geneva talks, has told an [redacted] that the USSR remains opposed to international inspections to verify compliance with a CW ban. All of these positions would be consistent with Soviet policy as outlined to the UN General Assembly in 1969.

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A member of the [redacted] delegation at Geneva has told the US that he doubts that the Soviet draft will be presented before the end of the spring session of the talks. Interest in a CW ban remains strong among the nonaligned delegations, who are anxious to follow up the US-USSR draft convention on biological weapons that will be opened for signature later this month. Nonetheless, the US has made some headway with its view that verification of a CW ban would be most complex and should be examined on a case-by-case basis. A Soviet draft that bypasses questions of technical controls thus would not receive quick approval from the other conferees, but it is likely to be the focal point of the USSR's efforts at Geneva this year. [redacted]

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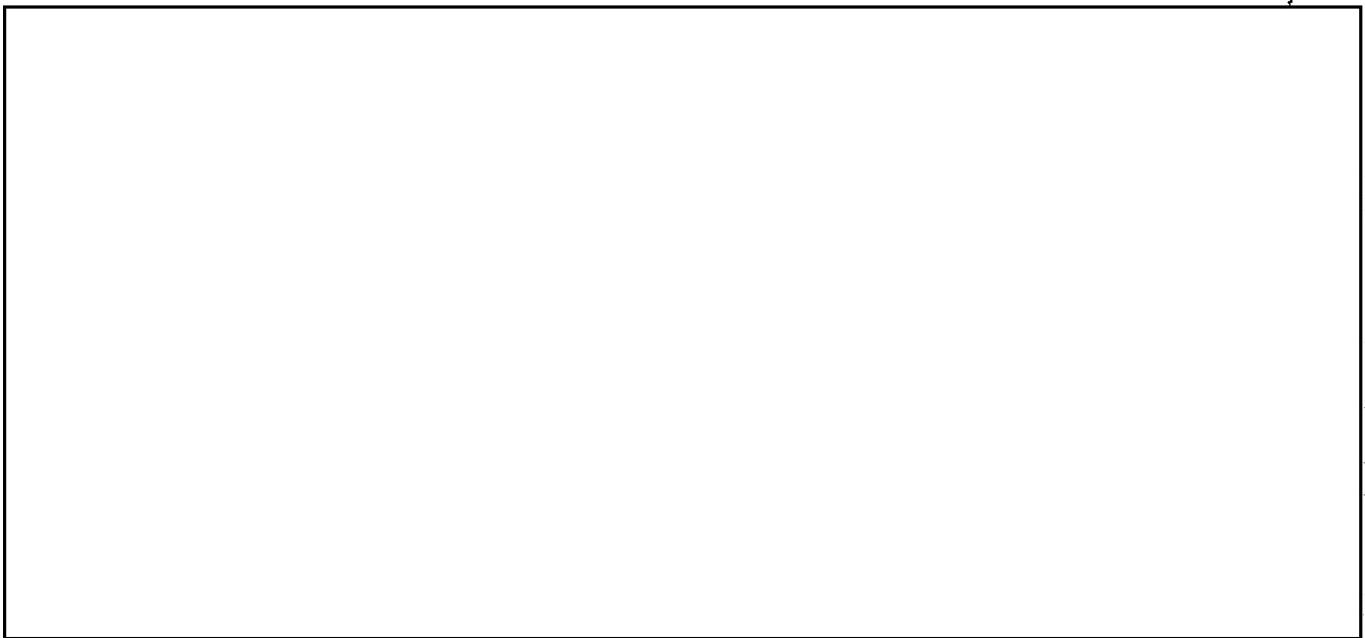
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ITALY: The Christian Democratic caretaker government of Giulio Andreotti is making economic policy decisions with popular appeal among voters prior to national elections in May. It is trying to speed up the release of housing and southern economic development funds to stimulate the economy. It has committed itself to increasing pension scales for the self-employed under a 1969 law and promised to do the same for wage earners in the next parliament. To allay fears of price escalation, the government also has decided to seek a delay, for the third time, in implementing the value-added tax system. These measures may help improve the Christian Democratic image, but they are unlikely to have substantial impact on economic activity by May. The economy remains very weak, with industrial output in January continuing to stagnate, and private investment, particularly in housing, showing no signs of revival.

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JAPAN: The balance of payments continued strong in February, aided by a \$640-million trade surplus. Exports were 25-percent higher than a year ago, while imports rose only ten percent. The trade surplus and a \$350-million short-term capital inflow hiked foreign exchange reserves to \$16.5 billion. In recognition of the continuing payments surplus, the Japanese central bank imposed foreign exchange controls in late February that have been temporarily successful in stabilizing the dollar-yen exchange rate. The fundamental trade imbalance will continue to bring pressure on the yen, however.

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ECUADOR: President Rodriguez has set ambitious goals for his new military government, but there is still little indication of the specific policies he intends to pursue. In a two-hour nationally televised speech on 10 March, Rodriguez pledged that the "revolutionary nationalist" regime would undertake broad political, economic, and social reforms to correct the country's "chaotic" condition. Rodriguez' performance could help him build public support, but junior officers and enlisted men favoring strong action to attack Ecuador's problems reportedly doubt the sincerity of his reformist zeal. They are unlikely to be placated by generalities and will probably be increasingly impatient for action to implement reforms.

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